askari Investment
MANAGEMENT

ANNUAL REPORT 2014

askari Equity Fund

Vision

The leading quality investment advisor providing excellent returns in a dynamic market place, based on the superior expertise of a committed team of professionals who value

"Service to the Customer"

Askari Investment Management Limited

Good people ■ Sound advice ■ Great returns

Contents

ANNUAL REPORT 2014

askari Equity Fund

Information about the Management Company

Registered Office

Askari Investment Management Ltd.
20-C,Khayaban-e-Nishat,
Ittehad Commercial Area,
Phase VI, DHA, Karachi.
UAN : 111-246-111
Email : info@aiml.com.pk

Board of Directors

- Lt Gen Muhammad Mustafa Khan, HI (M) (Retd) - Chairman
- Syed Majeedullah Husaini
- Mr. Khurshid Zafar
- Mr. Shahid Hafeez Azmi
- Mr. Farrukh Iqbal Khan
- Mr. Amer Maqbool - CEO

Audit Committee

- Syed Majeedullah Husaini - Chairman
- Mr. Shahid Hafeez Azmi
- Mr. Farrukh Iqbal Khan

HR Committee

- Mr. Shahid Hafeez Azmi - Chairman
- Syed Majeedullah Husaini
- Mr. Farrukh Iqbal Khan

Chief Financial Officer - Acting

- Syed Adeel Shahid

Company Secretary

- Muhammad Farrukh

Fund's Information

Bankers

- Askari Bank Limited
- Habib Metro Bank Limited
- Silk Bank Limited (Islamic Banking)

Trustee

- **Central Depository Company of Pakistan Limited**
  CDC House, 99-B, Block B, S.M.C.H.S,
  Main Shahrah-e-Faisal, Karachi
  Tel: (92-21) 111- 111- 500

Auditors

- **A.F. Ferguson & Co.**
  Chartered Accountants
  State Life Building No. 1-C, I.I Chundrigar Road,
  P.O. Box 4716, Karachi-74000, Pakistan.
  Tel: (021) 324 26682-6

Legal Advisors

- **Akhund Forbes**
  Corporate and Commercial Law Firm
  D-21, Block-4, Scheme 5,
  Clifton, Karachi.

Transfer Agent

- **Askari Investment Management Ltd.**
  20-C, Khayaban-e-Nishat,
  Ittehad Commercial Area,
  DHA Phase VI, Karachi.
  UAN: (021)111-246-111
  Fax: (021) 35250155-6

Directors' Report

DIRECTORS' REPORT TO THE UNIT HOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company " or "the Company"), we are pleased to present the annual report of Askari Equity Fund ("AEF" or "the Fund") along with the Audited Financial Statements and Auditors' report thereon for the year ended June 30, 2014.

Economic Review

Real GDP growth picked at 4.14% versus the government target of 4.4% for the year. This is mainly attributable to better performance of the industrial sector, which registered a growth of 5.84% versus 4.5% in FY13, exceeding the target rate of 4.8%. On the other hand, the services and agricultural sector recorded growth of 4.3% and 2.1% respectively. However, worsening law and order situation and persistence of energy crisis has hurt investment to GDP ratio as it declined from 14.6% in FY13 to 14.0% in FY14.

Tax revenues in FY14 amounted to PKR 1,786.2bn against PKR 1,527.8bn in the previous year, thus posted a growth of 16.9%. Significant growth in tax revenues was mainly on account of considerable rise in sales tax collection by 16.3%. Tax to GDP ratio has picked up from 9.3% in FY13 to 9.9% in FY14. The government fell short of achieving its original FBR revenue collection target by 8%.

Major positives for the year included successful entry into the IMF program, Pakistan being given the GSP Plus status, successful Eurobond/3G auctions and restart of the privatization process. These measures enabled the government to achieve a below target fiscal deficit to GDP ratio of 5.8% (provisional) versus 8.8% in FY13. In the previous year, higher fiscal deficit was on account of clearance of unpaid electricity sector payments (circular debt) of Rs 480 billion, while during FY14, an approximately Rs 300 billion circular debt of power sector has not yet been cleared, which if cleared in a similar manner will push up the fiscal deficit.

On the price front, unwinding of fiscal subsidies and acceleration in food prices coupled with low base effect led to Consumer Price Index (CPI) rising by an average rate of 8.62% YoY during FY14 over an increase of 7.36% YoY in FY13. Food inflation during FY14 went up by 9.03% YoY on average versus 7.1% YoY during FY13. Meanwhile, Non-food prices saw a growth of 8.35% YoY as opposed to 7.5% YoY during FY13. As a result of this, core inflation, as measured by NFNE, recorded an 8.3% YoY rise compared to 9.6% YoY in FY13. Overall the annual average inflation figure missed the government's target of 8% for FY14.

Given the rise in inflation during the year and risks eminent on the external side, the State Bank of Pakistan opted for a relatively tighter monetary stance and increased the interest rate by 100bps (50bps each in Sep'13 and Nov'13) to 10%.

The current account balance for FY14 recorded a deficit of USD 2.9bn (or -1.2% of GDP) compared to USD 2.5bn (-1.1% of GDP) last year. The relatively higher deficit figure came mainly from 70% rise in services deficit which stood at USD 2.6bn for the year. Services deficit increased primarily on account of less CSF (Coalition Support Fund) receipts during FY14 which stood at USD 0.68bn as compared to USD 1.8bn during same period last year. Also, imports rose at a higher rate than exports, as the former grew by 3.9% to USD 41.8bn versus a mere growth in exports of 1.5% to USD 25.2bn during FY14. Resultantly, trade deficit rose to USD 16.6bn during the period (+7.7% YoY). Meanwhile, workers remittances made for some part of the deficit while showing a substantial growth of 13.7% to stand at USD 15.8bn during the year.

Capital account balance during the year saw an overwhelming increment to stand at USD 1,833mn versus USD 264mn in FY13, mainly on the account of grant received from Saudi Arabia worth USD 1.5bn along with various project grants. Besides, financial account witnessed an impressive inflow of USD 5,233mn versus USD 549mn in FY13. This was driven by inflows from the issue of Eurobond and project loan flows from various multilateral organizations including the World Bank and the Asian Development Bank. Subsequently, the balance of payments figure summed to USD 3.8bn for the FY14 as compared to a deficit of USD 1.9bn during FY13. As a result of the above mentioned inflows, the country's foreign exchange reserves swelled to USD 14bn by June 2014 end versus USD 11bn in June 2013. The building up of reserves compensated for the rising current account deficit pressures, and thereby helped to maintain the PKR at 98.55 against USD by June 2014 end.

Equity Market Review

The KSE-100 Index gave a strong performance of 41% return to close the year at 29,652 during FY14. Following the general elections and establishment of business friendly PMLN strong government in Islamabad in May 2013; economic recovery, improved corporate results (earnings growth of ~16%) and mostly significantly strong inflows from foreign investors had led to booming stock prices during the year. Average volumes for the year picked up to 146mn shares as compared 125mn shares during FY13. Foreign investors were net buyers amounting to USD 253mn during the year despite outflow of USD 144mn from KAPCO transaction in Jul-13. This is attributable to Pakistan's equity market discount to regional peers coupled with increase in Pakistan's weight in MSCI Frontier Market Index 7.39% from 4.16% earlier.

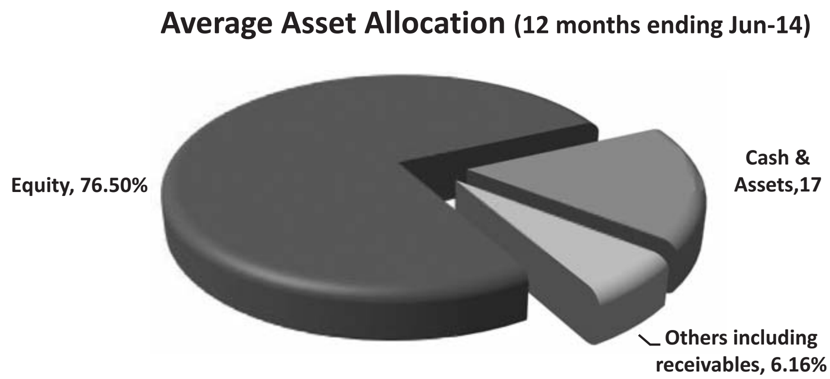
Amongst the major sectors Auto Assemblers, Construction & Materials and Banks, remained the top performing sectors during FY14, whereas oil & gas were the major underperformers on the news of SPO of both OGDC and PPL. Auto sector, remained upbeat, on the back of improving fundamentals, Punjab Government unveiled a new taxi scheme coupled with the optimism of INDU unveiling its new Corolla model. On individual basis, MCB and LUCK contributed 758 (9%) and LUCK 522 (6%) points to the overall index performance followed by OGDC and UBL contributing 502 (5%) and 471 (5%) points. Amongst the laggards Nishat Chunian and EFoods topped the list.

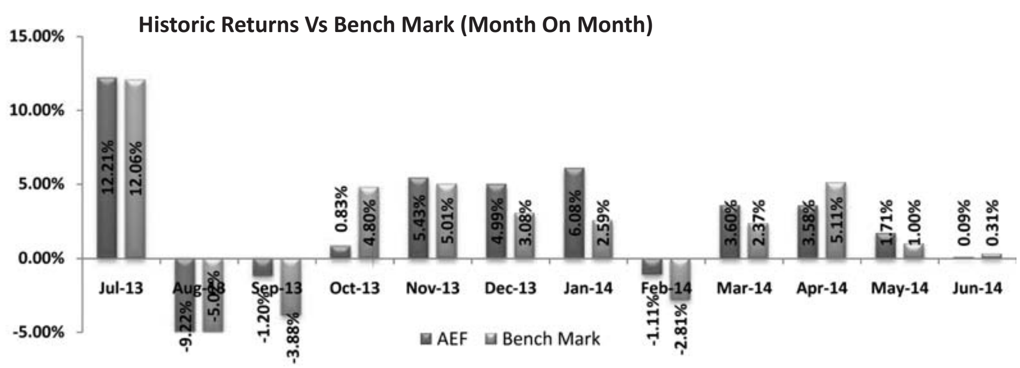
Internationally during FY14, global equity delivered positive results, with MSCI Frontier Market Index giving a return of 31%, MSCI Emerging Market Index gaining 12% and S&P 500 index gaining 22%, respectively.

Performance of the Fund

During FY14 AEF gave a return of 26.99% compared to benchmark return of 24.62%, outperforming the benchmark by 237bps. The fund outperformed its benchmark majorly in Dec'13 and Jan'14, posting a return of 4.99% and 6.08% compared to its benchmark of 3.08% and 2.59%, respectively. In 4QFY14, the fund gave a return of 1.51% against the benchmark return of 4.17%, underperforming its benchmark by 266bps.

The net assets of the fund stood at PKR 102 million at June'14 in comparison to PKR 149 million seen in July'13 2013. The fund size decreased due to redemptions. On average exposure in equities remained at 76.50% based on net assets of the funds. During the year mainly exposure was concentrated in three main sectors namely oil & gas, construction & materials and banking sector. In FY14, oil and gas remained the leading sector, however there was some shift seen in others sectors namely construction & materials and banks. Exposure in construction and materials was eased in early part of 2QFY14 on account of rumours of cement cartel breaking, whereas, allocation in banking sector was increased during the same period on outlook of increasing interest rate scenario and expected economic turnaround in 2HFY14. Likewise, exposure in personal goods was enhanced due to sector attractiveness on the back of GSP plus status given to Pakistan. By June end, leading sectors in AEF portfolio were Oil & Gas, Construction & Materials and Banks at 21.82%, 15.42% and 12.91%, respectively. On average approximately 17% of the funds were deployed as cash, whereas year end cash position was recorded at 25.62%.





Details required by the Code of Corporate Governance:

AEF was listed on Islamabad Stock Exchange (Guarantee) Limited on June 29, 2012 and Askari Investment Management Limited, as its Management Company, is committed to observe the Code of Corporate Governance as applicable.

The details as required by the Code of Corporate Governance regarding the pattern of unit holding of the Fund as on June 30, 2014 is as follows:

Category	Unit holding	Percentage of Unit holding
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
Askari Bank Limited	539,885	61.05%
Askari Investment Management Limited	131,055	14.82%
MUTUAL FUND	-	-
DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN	-	-
EXECUTIVES	3,790	0.43%
PUBLIC SECTOR COMPANIES AND CORPORATIONS	-	-
BANKS, DFIS, NBFCS, INSURANCE COMPANIES, TAKAFULS, MODARABAS AND PENSION FUNDS	51,664	5.84%
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING RIGHTS	-	-
Others	157,990	17.86%
Total	**884,384**	**100.00%**

The Board of Directors of the Management Company state that:

1. The financial statements, prepared by the Management Company, present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' fund.
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, Non-Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations, 2008), requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statement and any deviation there from has been disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

During the year, no trades in the units of the Fund were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Meetings of the Board of Directors were held once in every quarter. During the year six board meetings were held. Detail of Attendance at these meetings is disclosed in the Financial Statemens.

Key operating and financial data of the Fund for prior years since inception is as follows:

	Jun–14 Rupees	Jun-13 Rupees	Jun-12 Rupees
Net Assets as on June 30th	102,314,349	149,831,863	107,999,954
Net Asset Value per unit as on June 30th	115.6899	141.6465	99.7013
Net Income for the period	25,103,150	44,376,729	323,599
Dividend Distribution during the period	54,969,685	-	-

On July 04, 2014, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 2.6810 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2014. This distribution has been made in compliance with Regulation 63 of the NBFC Regulations, 2008, and to avail the income tax exemption for the Fund as available under Clause 99 of the Second Schedule to the Income Tax Ordinance, 2001.

Auditors

The Board of Directors on the recommendation of the Audit Committee has approved the re-appointment of M/s A.F. Ferguson & Co. - Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2015.

Acknowledgement

We would like to join our colleagues on the Board, management team and employees of the Company, in thanking first and foremost the investors for their vote of confidence in Askari Equity Fund. Additionally we would like to thank Askari Bank Limited, the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the Stock Exchange for their continued guidance and support.

For and on Behalf of the Board of Directors of the Management Company

Chief Executive Officer
August 22, 2014
Karachi

Fund Manager's Report

FUND MANAGER'S REPORT

Askari Equity Fund (AEF) is an open-end equity Fund. The objective of the Fund is to provide equity investors a vehicle for their long term investment needs, capable of locking in capital appreciation and securing reasonable dividends from listed equity securities. The Fund would seek to replicate benchmark returns and reduce volatility compared with the benchmark through efficient equity allocations, enhancing "Risk Adjusted Returns".

Economic Review

Real GDP growth picked at 4.14% versus the government target of 4.4% for the year. This is mainly attributable to better performance of the industrial sector, which registered a growth of 5.84% versus 4.5% in FY13, exceeding the target rate of 4.8%. On the other hand, the services and agricultural sector recorded growth of 4.3% and 2.1% respectively. However, worsening law and order situation and persistence of energy crisis has hurt investment to GDP ratio as it declined from 14.6% in FY13 to 14.0% in FY14.

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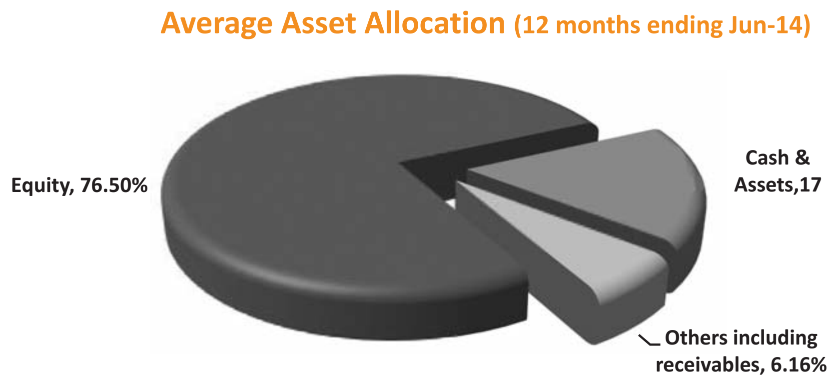

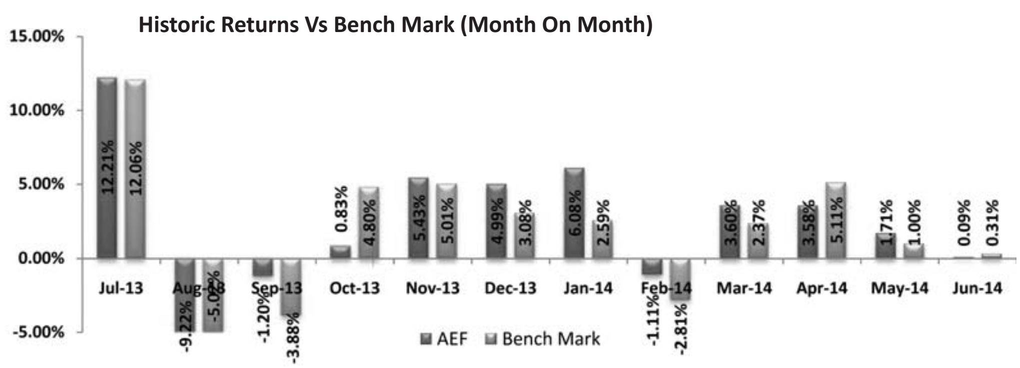

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
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CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS

ASKARI EQUITY FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Askari Equity Fund (the Fund) are of the opinion that Askari Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period ended June 30, 2014 in accordance with the provisions of the following:

(i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;

(ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and

(iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 09, 2014

CENTRAL DEPOSITORY COMPANY

pwc

A. F. FERGUSON & CO.

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Askari Investment Management Limited, the Management Company of **Askari Equity Fund** (the Fund), for the year ended June 30, 2014 to comply with the requirements of Listing Regulation no. 35 (Chapter XI) of the Islamabad Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph reference	Description
4	As required by the Code, the casual vacancy occurring on the Board of Directors is required to be filled up within 90 days. However, in case of two instances, casual vacancies occurring on the Board were not filled within the time frame as stipulated in the Code.
9	At least two directors on the Board of Directors should have obtained the certification as required under the Code by the year ended June 30, 2014. However, only one director has obtained the required certification. Further, no orientation course has been conducted by the Management Company for its directors during the year ended June 30, 2014 to acquaint them with the applicable laws and statues.
17	The Terms of Reference of the Human Resource and Remuneration Committee have not been approved by the Board of Directors.
24	The Board of Directors has not placed a mechanism for annual evaluation of the Board's own performance.

A.F.Ferguson & Co
Chartered Accountants
Karachi
Dated: October 1, 2014

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented by the Board of Directors of Askari Investment Management Limited, the Management Company ofAskari Equity Fund ("the Fund") to comply with the Code of Corporate Governance contained in Regulation no. 35 of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Askari Equity Fund is an open end mutual fund and is listed on the Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Askari Investment Management Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Director	1. Mr. Shahid Hafeez Azmi
Executive Director	1. Mr. Amer Maqbool (CEO)
Non – Executive Directors	1. Mr. Majeedullah Husaini 2. Mr. Farrukh Iqbal Khan 3. Mr. Khurshid Zafar 4. Lt Gen Muhammad Mustafa Khan (Retd)

The independent director meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company.

3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, four casual vacancies arose on the board. Three of these vacancies were filled up by the directors within 90 days whereas one casual vacancy was not filled within 90 days.The casual vacancy (exceeding 90 days) existing at the beginning of the year due to appointment not approved by SECP has also not been filled to date.

5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the management company along with its supporting policies and procedures.

6. The Board has developed vision / mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The whistle blowing policy has been prepared by the management and is in the approval process of the Board of Directors.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment,determination of remuneration and terms and conditions of the CEO and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for an emergency meeting. The minutes of the meetings were appropriately recorded and circulated.

9. As required by the code, all the directors of the Management Company are required to have certification under the director's training program by the year 2016 and at least one director shallhave certification under the training program each year during the period from June 30, 2012 to June 30, 2016. As per this requirementat least two directors on the board should have obtained the certification as required under the code by the year ended June 30, 2014. However, only one of the non-executive directors has obtained the required certification. Further, the management intends to conduct orientation course for its directors during the year ending June 30, 2015 to acquaint them with the applicable laws and statues.

10. The board has approved the appointment of Head of Internal Audit & Company Secretary. Currently, the position of Chief Financial Officer (CFO) is vacant.

11. The Directors' Report relating to the Fund for the year ended June 30, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and Financial Controller (as currently the post of Chief Financial Officer is vacant) of the Management Company before approval of the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.

14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company and the Chairman of the committee is a non-executive director. The Company Secretary acted as the secretary to the Audit Committee for all the Board Audit Committee meetings held after his appointment.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the board and advised to the committee for compliance.

17. The Board has reconstituted its HR and Remuneration Committee on August 30, 2013. HR and Remuneration committee comprises of 3 members, of whom all are non-executive directors and the chairman of the committee is anindependent director. The Terms of Reference (TORs) of the HR and Remuneration Committee have not been approved by the Board. However, they are expected to be approved shortly.

18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund. The firm and all its partners are also in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The Board has set up an internal audit function within the entity after December 31, 2013. Uptil December 31, 2013 the internal audit function was outsourced to M. Yousuf Adil Saleem & Co. Chartered Accountants.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the Net Assets Value (NAV) of the Fund's units, was determined and intimated to directors, employees and the stock exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non-arm's length transactions and pricing methods for transaction that were made on terms equivalent to those that prevail in the arm's length transactions only if such term can be substantiated.

24. We confirm that all other material principles enshrined in the Code have been complied with except the following, towards which progress is being made by the Management Company to seek compliance by the end of next accounting year:

    The Board of Directors have not placed mechanism for annual evaluation of Board's own performance.

On behalf of the Board

Chief ExecutiveOfficer
Dated: August 22, 2014
Karachi

pwc

A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Askari Equity Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2014, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (**Askari Investment Management Limited**) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of financial position of the Fund as at June 30, 2014 and of its financial performance, cash flows and its transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A.F.Ferguson & Co

Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 1, 2014

Karachi

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Financial Statements

ASKARI EQUITY FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2014

	Note	2014	2013
		---------- (Rupees) ----------	
ASSETS			
Balances with banks	4	20,707,928	29,482,477
Investments	5	83,956,640	115,026,296
Receivable against sale of investments		3,739,201	3,916,923
Prepayments, dividend and other receivables	6	2,061,775	151,546
Preliminary expenses and floatation costs	7	549,178	749,178
Security deposits	8	2,600,000	2,600,000
Total assets		113,614,722	151,926,420
LIABILITIES			
Payable to Askari Investment Management Limited - Management Company	9	811,973	478,309
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	57,534	57,534
Payable to the Securities and Exchange Commission of Pakistan	11	122,008	116,130
Accrued expenses and other liabilities	12	10,308,858	1,442,584
Total liabilities		11,300,373	2,094,557
NET ASSETS		102,314,349	149,831,863
UNIT HOLDERS' FUND (as per statement attached)		102,314,349	149,831,863
CONTINGENCIES AND COMMITMENTS	13		
NUMBER OF UNITS IN ISSUE		884,384	1,057,787
		---------- (Rupees) ----------	
NET ASSET VALUE PER UNIT	3.10	115.6899	141.6465

The annexed notes 1 to 28 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive | **Director**

ASKARI EQUITY FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		------------ (Rupees) ------------	
Income			
Capital gain on sale of investments - net		25,312,913	29,716,453
Dividend income		5,548,875	5,993,348
Profit on bank deposits		2,447,912	1,480,762
Other income		82	164,547
		33,309,782	37,355,110
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.1	8,600,093	14,774,050
		41,909,875	52,129,160
Expenses			
Remuneration of Askari Investment Management Limited - Management Company	9.1	3,852,861	3,668,221
Sindh sales tax on Management Company's remuneration	9.2	715,091	592,690
Federal excise duty on Management Company's remuneration	9.3	616,458	36,099
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	699,999	699,998
Annual fee - Securities and Exchange Commission of Pakistan	11.1	122,008	116,130
Auditors' remuneration	14	350,337	364,809
Legal and professional charges		50,001	50,000
Securities transaction costs		877,595	744,248
Settlement and bank charges		282,502	256,184
Fee and subscription		120,000	10,000
Printing and stationery expenses		120,001	180,996
Amortisation of preliminary expenses and floatation costs	7	200,000	200,002
Total expenses		8,006,853	6,919,377
Net income from operating activities		33,903,022	45,209,783
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(8,287,564)	72,594
Provision for Worker's Welfare Fund	12.1	(512,308)	(905,648)
Net income for the year before taxation		25,103,150	44,376,729
Taxation	15	-	-
Net income for the year after taxation		25,103,150	44,376,729
Earnings per unit	16		

The annexed notes 1 to 28 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive **Director**

ASKARI EQUITY FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	------------ (Rupees)	------------
Net income for the year after taxation	25,103,150	44,376,729
Other comprehensive income	-	-
Total comprehensive income for the year	25,103,150	44,376,729

The annexed notes 1 to 28 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive **Director**

ASKARI EQUITY FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	------------ (Rupees) ------------	
Undistributed income / accumulated (loss) brought forward comprising:		
Realised income	29,279,080	665,595
Unrealised income / (loss)	14,774,050	(989,194)
	44,053,130	(323,599)
Net income for the year after taxation	25,103,150	44,376,729
Final distribution of Rs 39.8548 per unit on July 5, 2013 for the year ended June 30, 2013 (2013: Rs nil per unit)		
- Cash distribution	(39,854,800)	-
- Issue of bonus units	(2,303,102)	-
	(42,157,902)	-
Interim distribution of Rs 15.2225 per unit on June 27, 2014 for the year ended June 30, 2014 (2013: Rs nil per unit)		
- Cash distribution	(8,218,394)	-
- Issue of bonus units	(4,593,389)	-
	(12,811,783)	-
Undistributed income carried forward	14,186,595	44,053,130
Undistributed income carried forward comprising:		
Realised income	5,586,502	29,279,080
Unrealised income	8,600,093	14,774,050
	14,186,595	44,053,130

The annexed notes 1 to 28 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive | **Director**

ASKARI EQUITY FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	------------ (Rupees) ------------	
Net assets at the beginning of the year	149,831,863	107,999,954
Issue of 917,534 units (2013: 135,684 units)	111,752,356	16,040,382
Issue of 62,591 bonus units (2013: Nil)	6,896,491	-
Redemption of 1,153,528 units (2013: 161,132 units)	(144,587,390)	(18,512,608)
	(25,938,543)	(2,472,226)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	8,287,564	(72,594)
Capital gain on sale of investments	25,312,913	29,716,453
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	8,600,093	14,774,050
Loss for the year from other activities - net	(8,809,856)	(113,774)
Total Comprehensive Income for the year	25,103,150	44,376,729
Final distribution of Rs 39.8548 per unit on July 5, 2013 for the year ended June 30, 2013 (2013: Rs nil per unit)		
- Cash distribution	(39,854,800)	-
- Issue of Bonus units	(2,303,102)	-
	(42,157,902)	-
Interim distribution of Rs 15.2225 per unit on June 27, 2014 for the year ended June 30, 2014 (2013: Rs nil per unit)		
- Cash distribution	(8,218,394)	-
- Issue of Bonus units	(4,593,389)	-
	(12,811,783)	-
Net assets at the end of the year	102,314,349	149,831,863
Net asset value per unit at the beginning of the year	141.6465	99.7013
Net asset value per unit at the end of the year	115.6899	141.6465

The annexed notes 1 to 28 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive **Director**

ASKARI EQUITY FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		------------ (Rupees) ------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		25,103,150	44,376,729
Adjustments for:			
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net		(8,600,093)	(14,774,050)
Amortisation of preliminary expenses and floatation costs		200,000	200,002
Provision for Worker's Welfare Fund		512,308	905,648
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net		8,287,564	(72,594)
		399,779	(13,740,994)
		25,502,929	30,635,735
Decrease / (increase) in assets			
Investments - net		39,669,749	(44,737,160)
Receivable against sale of investments		177,722	(3,718,755)
Prepayments, dividend and other receivables		(1,910,229)	5,933,231
		37,937,242	(42,522,684)
(Decrease) / increase in liabilities			
Payable to Askari Investment Management Limited - Management Company		333,664	(829,322)
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	156
Payable to the Securities and Exchange Commission of Pakistan		5,878	90,315
Accrued expenses and other liabilities		135,572	270,461
		475,114	(468,390)
Net cash generated from / (used in) operating activities		63,915,285	(12,355,339)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		111,752,356	16,040,382
Payments against redemption of units		(144,587,390)	(18,512,608)
Cash distribution		(39,854,800)	-
Net cash used in financing activities		(72,689,834)	(2,472,226)
Net decrease in cash and cash equivalents during the year		(8,774,549)	(14,827,565)
Cash and cash equivalents at the beginning of the year		29,482,477	44,310,042
Cash and cash equivalents at the end of the year	4	20,707,928	29,482,477

The annexed notes 1 to 28 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive **Director**

ASKARI EQUITY FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

Askari Equity Fund was established under a Trust deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee on November 17, 2011. The fund was registered by the Securities and Exchange Commission of Pakistan (SECP) as a Notified Entity in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on December 19, 2011.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (SECP). The registered and Head Office of the Management Company is situated at 20-C, Khayaban-e-Nishat, Phase VI, DHA, Karachi.

The Fund offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Islamabad Stock Exchange (Guarantee) Limited. The objective of the Fund is to provide equity investors a vehicle for their long term investment needs, capable of locking in capital appreciation and securing reasonable dividends from listed equity securities. The Fund would seek to replicate benchmark returns and reduce volatility compared with the benchmark through efficient equity allocations, enhancing "Risk Adjusted Returns". Pursuant to Circular 7 of 2009 of the SECP, the Board of Directors of the Management Company have approved the category of the Fund as an 'Equity Scheme'.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained an asset manager rating of 'AM3+' (positive outlook) to the Management Company on April 17, 2014. The rating reflects the Management Company's strong capacity to manage the risk inherent in asset management and that the asset manager meets high industry standards and benchmarks. Furthermore, PACRA has assigned a rating of "3-Star" on November 28, 2013 to the Fund which denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

Title to the assets of the Fund are held in the name of CDC as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

The following amendments and improvements to approved accounting standards have been published and are mandatory for the Fund current accounting period:

IFRS 7 – Financial Instruments : Disclosures – (Amendments)
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

The adoption of the above amendments and improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretation and amendments:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014

The Fund expects that the adoption of the above amendments and interpretation of the standards will not affect the Fund's financial statements in the period of initial application.

There are certain new and amended standards and interpretation that are mandatory for the Fund's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date as per IASB (accounting periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience including expectation of future events and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements related to classification and valuation of investments (notes 3.2 and 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which have been marked to market and carried at fair value.

2.6 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprises of balances with banks and short term highly liquid investments with original maturities of three months or less.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: Financial assets classified as 'at fair value through profit or loss', 'loans and receivables' and financial assets classified as 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets classified as 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as at 'fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the related transaction costs are expensed out in the income statement.

3.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued on the basis of closing quoted market prices of the stock exchange.

Net gains and losses arising from changes in fair values of financial assets carried as 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'Statement of Comprehensive Income' until these are derecognised or impaired. Upon derecognition the cumulative gain or loss previously recognised directly in the 'Statement of Comprehensive Income' is transferred to the 'Income Statement'.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Any gain or loss arising on derecognition or impairment of these assets is recognised in the Income Statement.

3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

a) Loans and receivables

For financial assets classified as 'loans and receivable', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is measured as the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

b) Equity securities classified as 'available for sale'

In the case of available for sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from the unit holder's fund to the Income Statement.

Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.5 Derivatives

Derivative instruments are initially recognised at fair value and subsequently each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the provisions contained in the NBFC Regulations.

3.7 Taxation

Current

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received during business hours of that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus any front-end load, not exceeding five percent of the Net Asset Value, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on the date on which the investment application is received.

Units redeemed are recorded at the redemption price, applicable to units for which redemption applications are received during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

3.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income/ (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

During the year, the Fund has revised the method of computation and recording of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. Previously, the element was recognised based on cumulative values of undistributed income and unrealised surplus / (deficit) on available-for-sale financial assets present in the net asset value of units and the entire amount was recognised in the Income Statement. As per the revised treatment, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the Income Statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available-for-sale financial assets is recognised in the Distribution Statement. The remaining portion of element forms part of the unit holders' fund and is not available for distribution.

Had the aforementioned change in estimate not been made during the current year:

- Net asset value of the Fund would have been higher by Rs 6,131 (per unit Re 0.0069);
- provision maintained with respect to Workers' Welfare Fund as at June 30, 2014 would have been lower by Rs 6,131; and
- profit for the year after taxation would have been lower by Rs 300,407. However, as noted above, the Unit Holders' Fund would have been higher by only Rs 6,131.

In the opinion of the management the revised method of computation will result in a more accurate presentation of element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed in the financial statements.

3.10 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

3.11 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.12 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.13 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date on which the transaction takes place.

- Unrealized appreciation / (diminution) in the value of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.

- Dividend income is recognised when the right to receive dividend is established.

- Profit on balances with banks is recognised on an accrual basis.

4 BALANCES WITH BANKS

	Note	2014	2013
		----------------(Rupees)----------------	
In saving accounts	4.1	20,707,928	29,482,477

4.1 These carry profit at the rates ranging from 7.00% to 9.00% (2013: 7.00% to 8.50%) per annum. Deposits in savings accounts include Rs 19,603,380 (2013: Rs 29,469,592) maintained with Askari Bank Limited, a connected person, which carries profit at the rate of 9.00% per annum (2013: 8.00% per annum).

	Note	2014	2013
		----------------(Rupees)----------------	
5 INVESTMENTS			
At fair value through profit or loss			
- Listed equity securities	5.1	83,956,640	115,026,296

5.1 Listed equity securities

Shares of listed companies - Fully paid up ordinary shares of Rs 10 each unless otherwise stated.

Name of the investee company	As at July 01, 2013	Purchased during the year	Bonus / right issues during the year	Sold during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage of Paid-up capital of investee company held
	-----------------------------Number of shares-----------------------------					-----------------Rupees-------------------					
	--------------------------(Number of shares)-----------------------------------					----------------------(Rupees)----------------------					
Oil & Gas											
Attock Petroleum Limited	12,400	200	1,700	5,350	8,950	4,187,020	5,278,979	1,091,959	5.16%	6.29%	0.0108%
Attock Refinery Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Shell Pakistan Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
National Refinery Limited	-	24,000	-	24,000	-	-	-	-	-	-	-
Pakistan Oilfields Limited	28,500	46,000	-	61,500	13,000	6,585,649	7,465,900	880,251	7.30%	8.89%	0.0003%
Pakistan Petroleum Limited	59,500	93,200	5,200	149,500	8,400	1,808,973	1,884,456	75,483	1.84%	2.24%	0.0036%
Pakistan State Oil Company Limited	25,000	110,300	1,250	117,800	18,750	7,629,141	7,290,938	(338,203)	7.13%	8.68%	0.0010%
Oil & Gas Development Company Limited	-	20,000	-	9,000	11,000	2,959,670	2,874,080	(85,590)	2.81%	3.42%	0.0405%
						23,170,453	24,794,353	1,623,900	24.24%	29.52%	
Chemicals											
Dawood Hercules Corporation Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Engro Corporation Limited	53,800	293,500	-	342,300	5,000	935,050	892,550	(42,500)	0.87%	1.06%	0.0010%
Fatima Fertilizer Company Limited	-	50,000	-	20,000	30,000	896,100	870,000	(26,100)	0.85%	1.04%	0.0014%
Fauji Fertilizer Company Limited	-	42,500	-	5,000	37,500	4,118,788	4,209,375	90,587	4.11%	5.01%	0.0029%
Lotte Chemical Pakistan Limited	-	300,000	-	200,000	100,000	745,000	719,000	(26,000)	0.70%	0.86%	0.0066%
Engro Fertilizers Limited	-	190,500	-	145,500	45,000	1,271,250	2,571,750	1,300,500	2.51%	3.06%	0.0035%
						7,966,188	9,262,675	1,296,487	9.04%	11.03%	
Construction and Materials (Cement)											
Attock Cement Pakistan Limited	1,500	-	-	1,500	-	-	-	-	-	-	-
Cherat Cement Limited	176,500	26,000	-	202,500	-	-	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	1,125,000	-	928,500	196,500	3,062,961	3,140,070	77,109	3.07%	3.74%	0.0150%
D.G. Khan Cement Company Limited	141,000	246,500	-	287,000	100,500	8,634,557	8,839,980	205,423	8.64%	10.53%	0.0229%
Fauji Cement Company Limited	280,000	543,000	-	723,000	100,000	1,970,000	1,924,000	(46,000)	1.88%	2.29%	0.0075%
Maple Leaf Cement Factory Limited	-	240,000	-	225,000	15,000	482,250	450,750	(31,500)	0.44%	0.54%	0.0028%
Lucky Cement Limited	36,000	27,500	-	55,800	7,700	1,770,785	3,159,310	1,388,525	3.09%	3.76%	0.0024%
						15,920,553	17,514,110	1,593,557	17.12%	20.86%	
Automobile and Parts											
Indus Motor Company Limited	-	4,000	-	4,000	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	13,000	-	-	13,000	2,884,134	3,560,570	676,436	3.48%	4.24%	0.0158%
						2,884,134	3,560,570	676,436	3.48%	4.24%	
Food Producers											
Engro Foods Limited	-	107,600	-	107,600	-	-	-	-	-	-	-
						-	-	-	-	-	
Household Goods											
Tariq Glass Industries Limited	197,500	129,000	-	326,500	-	-	-	-	-	-	-
Pak Elektron Limited	-	100,000	-	-	100,000	2,764,220	2,602,000	(162,220)	2.54%	3.10%	0.0339%
						2,764,220	2,602,000	(162,220)	2.54%	3.10%	
Personal Goods (Textile)											
Nishat Chunian Limited	74,000	298,000	5,450	377,450	-	-	-	-	-	-	-
Nishat Mills Limited	101,000	201,500	-	236,900	65,600	7,705,138	7,341,952	(363,186)	7.18%	8.74%	0.0187%
						7,705,138	7,341,952	(363,186)	7.18%	8.74%	
General Industries											
Packages Limited	-	14,500	-	12,500	2,000	499,829	1,003,140	503,311	0.98%	1.19%	0.0024%
Tri Pack Films Limited	22,700	1,600	-	24,300	-	-	-	-	-	-	-
						499,829	1,003,140	503,311	0.98%	1.19%	
Fixed line telecommunication											
Pakistan Telecommunication Limited	-	75,000	-	75,000	-	-	-	-	-	-	-
						-	-	-	-	-	
Electricity											
Hub Power Company Limited	-	70,000	-	70,000	-	-	-	-	-	-	-
Pak Gen Power Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
K-Electric Limited	-	300,000	-	250,000	50,000	445,000	424,500	(20,500)	0.41%	0.51%	0.0005%
						445,000	424,500	(20,500)	0.41%	0.51%	

Name of the investee company	As at July 01, 2013	Purchased during the year	Bonus / right issues during the year	Sold during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage of Paid-up capital of investee company held
	(Number of shares)					(Rupees)					
Engineering											
Ados Pakistan Limited	-	50,000	-	48,000	2,000	140,000	124,500	(15,500)	0.12%	0.15%	0.0304%
						140,000	124,500	(15,500)	0.12%	0.15%	
Technology hardware and equipment											
Avanceon Limited	-	305,000	10,700	206,000	109,700	1,462,667	2,663,516	1,200,849	2.60%	3.17%	0.1038%
						1,462,667	2,663,516	1,200,849	2.60%	3.17%	
Commercial Banks											
Allied Bank Limited	32,600	5,000	3,400	28,100	12,900	839,073	1,772,589	933,516	1.73%	2.11%	0.0011%
Bank Al Habib Limited	-	185,000	10,000	143,500	51,500	1,678,185	2,316,470	638,285	2.26%	2.76%	0.0046%
Habib Bank Limited	-	5,000	-	5,000	-	-	-	-	-	-	-
MCB Bank Limited	-	28,000	-	28,000	-	-	-	-	-	-	-
Bank Alfalah Limited	128,500	430,500	-	390,000	169,000	4,038,189	4,647,500	609,311	4.54%	5.54%	0.0125%
United Bank Limited	53,500	49,906	-	85,000	18,406	2,908,148	3,102,515	194,367	3.03%	3.70%	0.0015%
Faysal Bank Limited	-	400,000	-	225,000	175,000	2,934,770	2,826,250	(108,520)	2.76%	3.37%	0.0168%
National Bank of Pakistan Limited	-	169,500	-	169,500	-	-	-	-	-	-	-
						12,398,365	14,665,324	2,266,959	14.32%	17.48%	
Total June 30, 2014						75,356,547	83,956,640	8,600,093	82.04%	100.00%	
Total June 30, 2013						100,252,246	115,026,296	14,774,050	76.76%	100.00%	

5.1.1 Investments include shares with market value aggregating to Rs 10,054,100 (June 30, 2013: Rs 4,582,150) of the following Companies which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP:

- Bank Alfalah Limited (115,000 shares); and
- Pakistan Oilfields Limited (12,000 shares).

	Note	2014	2013
		(Rupees)	
6 PREPAYMENTS, DIVIDEND AND OTHER RECEIVABLES			
Prepayments		-	10,000
Dividend receivable		24,750	-
Accrued profit on bank deposits		155,775	141,546
Advance against book building of equity securities		1,881,250	-
		2,061,775	151,546
7 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs incurred		749,178	949,180
Less: Amortisation during the year		200,000	200,002
Closing balance		549,178	749,178
8 SECURITY DEPOSITS			
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,500,000	2,500,000
- Central Depository Company of Pakistan Limited		100,000	100,000
		2,600,000	2,600,000

	Note	2014	2013
		----------------(Rupees)----------------	
9 PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of Askari Investment Management Limited	9.1	42,850	376,236
Sindh Sales tax on Management Company's remuneration	9.2	111,265	65,974
Federal Excise Duty on Management Company's remuneration	9.3	652,558	36,099
Sales load		5,300	-
		811,973	478,309

9.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 (the NBFC Regulation), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Management fee is currently being charged at the rate of three percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.

9.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

9.3 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board (as explained in note 9.2), which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

On September 4, 2013, a Constitutional Petition has been filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED. In this respect, the Honourable SHC has issued a stay order against recovery proceedings. The hearing of the petition is pending.

Consequently, pending the decision of the SHC, the Fund has not made any payments in respect of FED since the date it became effective although full provision is being made in the books of account.

	Note	2014	2013
		----------------(Rupees)----------------	
10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	10.1	57,534	57,534

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein based on daily Net Assets Value (NAV) of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund during the year ended June 30, 2014 is as follows:

Amounts of funds under management (Average NAV)	Tariff per annum
Up to Rs 1,000 million	Rs 0.7 million or 0.2% per annum of Net Asset Value whichever is higher
Exceeding Rs 1,000 million	Rs 2 million plus 0.1% per annum of Net Asset Value on amount exceeding Rs 1,000 million

The remuneration is paid to the Trustee monthly in arrears.

	2014	2013
	----------------(Rupees)----------------	
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual fee	122,008	116,130

11.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, a collective investment scheme categorised as equity scheme is required to pay an annual fee to the SECP of an amount equal to 0.095% of the average net assets of the scheme. The Fund has been categorised as an equity scheme by the Management Company.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2014	2013
		----------------(Rupees)----------------	
Capital Gains Tax payable		541	17,270
Settlement charges payable		15,000	15,000
Payable against printing expenses		117,508	101,789
Legal and professional charges payable		150,001	100,000
Securities transaction costs payable		179,458	92,877
Auditors' remuneration		210,000	210,000
Provision for Worker's Welfare Fund	12.1	1,417,956	905,648
Dividend payable		8,218,394	-
		10,308,858	1,442,584

12.1 Provision for Worker's Welfare Fund

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / pension schemes whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / pension schemes, which is pending adjudication.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same. Show cause notices were then issued by Federal Board of Revenue (FBR) to several CISs / pension schemes for the collection of WWF in respect to which certain CISs / pension schemes have been granted stay by Honourable SHC on the basis of the pending Constitutional Petition as referred above.

In March 2013, a three member bench of the Sindh High Court in its judgement on various Constitutional Petitions challenging the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, held that WWF is a tax and consequently, the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) do not suffer from any constitutional or legal infirmity. This judgement was in contrast to the July 2011 single member bench decision of the Honourable Lahore High Court which had held such amendments as unlawful and unconstitutional for the reason that they were made through the money bills.

In a recent judgement of May 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the constitution. For the CISs and Pension Funds, the issue of chargeability or otherwise of WWF levy to the CISs / pension schemes is, currently, pending before the Honourable SHC.

In view of the pending decision, the Management Company of the Fund, as a matter of abundant caution, has continued to maintain the provision for WWF amounting to Rs 1,417,956 (including 512,308 for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Rs 1.6033 per unit.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014 (June 30, 2013: Nil).

14 AUDITORS' REMUNERATION

	2014	2013
	----------------(Rupees)----------------	
Annual audit fee	135,000	135,000
Half yearly review fee	100,000	100,000
Review of compliance with the Code of Corporate Governance	50,000	50,000
Fee for income certification	25,000	50,000
Out of pocket expenses	40,337	29,809
	350,337	364,809

15 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed the required minimum percentage of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

16 EARNINGS PER UNIT (EPU)

Earnings per unit has not been disclosed as in the opinion of the management, determination of weighted average number of outstanding units is not practicable.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2014		
	Assets at fair value through profit or loss	**Loans and receivables**	**Total**
	Rupees		
Financial assets			
Balances with banks	-	20,707,928	20,707,928
Investments	83,956,640	-	83,956,640
Receivable against sale of investments	-	3,739,201	3,739,201
Dividend and other receivables	-	2,061,775	2,061,775
Security deposits	-	2,600,000	2,600,000
	83,956,640	29,108,904	113,065,544

	2014		
	Liabilities at fair value through profit or loss	**At amortised cost**	**Total**
	Rupees		
Financial liabilities			
Payable to Askari Investment Management Limited - Management Company	-	811,973	811,973
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	57,534	57,534
Accrued expenses and other liabilities	-	8,890,361	8,890,361
	-	9,759,868	9,759,868

	2013		
	Assets at fair value through profit or loss	**Loans and receivables**	**Total**
	Rupees		
Financial assets			
Balances with banks	-	29,482,477	29,482,477
Investments	115,026,296	-	115,026,296
Receivable against sale of investments	-	3,916,923	3,916,923
Dividend and other receivables	-	141,546	141,546
Security deposits	-	2,600,000	2,600,000
	115,026,296	36,140,946	151,167,242

	2013		
	Liabilities at fair value through profit or loss	At amortised cost	Total
	Rupees		
Financial liabilities			
Payable to Askari Investment Management Limited - Management Company	-	478,309	478,309
Payable to the Central Depository Company of Pakistan - Limited - Trustee	-	57,534	57,534
Accrued expenses and other liabilities	-	519,666	519,666
	-	1,055,509	1,055,509

18 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties, among others include Askari Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Askari Bank Limited being the holding company of the Management Company, Fauji Group Companies, Askari General Insurance Company Limited being an associate company of the Management Company, Askari Investment Management Employees Provident Fund, Askari High Yield Scheme , Askari Asset Allocation Fund, Askari Islamic Asset Allocation Fund, Askari Islamic Income Fund, Askari Sovereign Cash Fund and Askari Sovereign Yield Enhancer being funds under common management and key management personnel of the Management Company.

Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms.

Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

Remuneration payable to the Trustee is determined in accordance with the Trust Deed.

Details of the transactions carried out by the Fund with connected person / related parties during the year and balances with them as at year end are as follows:

18.1 Details of transactions with connected persons are as follows:

	2014	2013
	(Rupees)	
Askari Investment Management Limited - Management Company		
Remuneration for the year	3,852,861	3,668,221
Sindh sales tax on Management Company's remuneration	715,091	592,690
Federal Excise Duty on Management Company's remuneration	616,458	36,099
Payment made against reimbursable expenses	-	1,000,000
Issue of 115,727 units (2013: 47,586 units)	15,000,000	4,994,278
Issue of 15,540 Bonus units (2013: Nil units)	1,783,323	-
Redemption of 756 units (2013: 47,042 units)	90,159	5,000,000
Sale load charged during the year	627,100	6,611
Askari Bank Limited - Holding Company of the Management Company		
Redemption of 460,115 Units(2013: Nil Units)	57,696,627	-
Dividend	48,073,194	-
Profit on bank deposits	2,444,731	1,478,523
Bank charges	21,434	28,653
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	699,999	699,998
CDS charges	32,109	22,615
Key Management Personnel		
Issue of 4,440 units (2013: 8,167 units)	528,652	970,500
Redemption of 2,693 units (2013: 2,448 units)	320,476	303,597
Bonus of Rs 894 units (2013: Nil units)	96,788	-

18.2 Amounts outstanding as at year end:	2014	2013
	---------------(Rupees)---------------	
Askari Investment Management Limited - Management Company		
Remuneration payable	42,850	376,236
Sindh sales tax payable on Management Company's remuneration	111,265	65,974
Federal Excise Duty on Management Company's remuneration	652,558	36,099
Sales load payable	5,300	-
Outstanding 131,055 units (June 30, 2013: 544 units)	15,161,727	59,492
Askari Bank Limited - Holding Company of the Management Company		
Outstanding 539,885 units (June 30, 2013: 1,000,000 units)	62,459,199	141,646,500
Balances with banks	19,603,380	29,469,592
Profit receivable on bank deposits	153,182	141,546
Dividend payable	8,218,394	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	57,534	57,374
Security deposits	100,000	100,000
Key Management Personnel *		
Outstanding 3,790 units (June 30, 2013: 5,718 units)	438,496	809,935
18.3 Equity holding in Fauji Group		
100,000 shares (2013: 280,000 shares) of Fauji Cement Company Limited	1,924,000	3,721,200
37,500 shares (2013: nil) of Fauji Fertilizer Company Limited	4,209,375	-

Purchase and sales transactions in shares of Fauji Group Companies are reflected in note 5.1 to these financial statements.

*The outstanding units represent balances pertaining to staff who are considered key management personnel as at the close of the period.

19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience in years
1	Mr. Amer Maqbool	Chief Executive Officer	MBA	21
2	Mr. Basharat Ullah	Chief Operating / Investment Officer	MBA	21
3	S. Adeel Shahid	Chief Financial Officer - (acting)	CA (Finalist)	12
4	Mr. Shahbaz Ashraf	Head of Research / Fund Manager	CFA	6.5

19.1 Mr. Shahbaz Ashraf is manager of the Fund. He is also the fund manager of Askari Islamic Asset Allocation Fund being managed by the Management Company.

20 TRANSACTIONS WITH BROKERS / DEALERS

	List of top ten brokers by percentage of commission expensed during the year / period:	2014
1	AKD Securities Limited	16.80%
2	AL-Habib Capital Markets (Private) Limited	16.78%
3	Pearl Securities Limited	9.74%
4	Next Capital Limited	7.95%
5	Taurus Securities Limited	7.40%
6	Habib Metro Financial Services Limited	5.79%
7	Topline Securities (Private) Limited	5.57%
8	Elixir Securities Pakistan (Private) Limited	5.49%
9	Foundation Securities (Private) Limited	4.91%
10	Aba Ali Habib Securities (Private) Limited	4.85%

		2013
1	Taurus Securities Limited	11.23%
2	Elixir Securities Pakistan (Private) Limited	10.66%
3	Arif Habib Limited	10.61%
4	Foundation Securities Limited	10.04%
5	Pearl Securities Limited	9.04%
6	Invest & Finance Limited	7.48%
7	Topline Securities (Private) Limited	7.29%
8	KASB Securities Limited	6.48%
9	Habib Metro Financial Services	5.17%
10	JS Global Investments Limited	4.30%

21 PATTERN OF UNIT HOLDING

Category	--------------------------------As at June 30, 2014--------------------------------			
	Number of unit holders	No of units held	Investment amount	Percentage investment
			Rupees	%
Individuals	64	116,496	13,477,418	13.17%
Associated companies / Directors	2	670,940	77,621,021	75.87%
Retirement Funds	4	51,664	5,977,006	5.84%
Others	3	45,284	5,238,904	5.12%
	73	884,384	102,314,349	100.00%

Category	--------------------------------As at June 30, 2013--------------------------------			
	Number of unit holders	No of units held	Investment amount	Percentage investment
			Rupees	%
Individuals	36	30,929	5,028,167	3.35%
Corporate	1	21,746	3,080,102	2.06%
Associated companies / Directors	5	1,005,112	141,723,594	94.59%
	42	1,057,787	149,831,863	100.00%

22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 50th, 51st, 52nd, 53rd, 54th and 55th Board meetings were held on July 05, 2013, July 30, 2013, August 30, 2013, October 10, 2013, February 06, 2014 and April 17, 2014 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Meeting held on					
	July 5, 2013	July 30, 2013	August 30, 2013	October 10, 2013	February 6, 2014	April 17, 2014
Lt Gen (R) Muhammad Mustafa	N/A	N/A	N/A	N/A	P	P
Mr. Farrukh Iqbal Khan	N/A	P	P	P	P	P
Mr. Khurshid Zafar	N/A	P	P	P	P	P
Mr.Shahid Hafeez Azmi	P	P	P	P	P	P
Syed Majeedullah Husaini	N/A	P	P	P	P	P
Amer Maqbool	N/A	N/A	N/A	N/A	P	P
Maj. Gen (R) Mukhtar Ahmed	P	N/A	N/A	N/A	N/A	N/A
Lt Gen (R) Tahir Mehmood	P	N/A	N/A	N/A	N/A	N/A
Mr. Sufian Mazhar	P	L	L*	L*	N/A	N/A
Mr. Adnan Siddiqui	P	P	N/A	N/A	N/A	N/A
Mr. Basharat Ullah	N/A	N/A	P	P	N/A	N/A

P Present
L Leave of absence
L* Without Leave of absence
N/A Not serving as director on the date of meeting

23 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to various risks including market risk, credit risk and liquidity risk arising from the financial instruments it holds.

23.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk through diversification of the investment portfolio and by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risks: currency risk, yield / interest rate risk and other price risk.

23.1.1 Currency risk

This is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

23.1.2 Yield / interest rate risk

Yield / interest rate risk is risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Presently, the Fund does not hold any fixed rate or variable rate instruments which may expose the Fund to cash flow or fair value interest rate risk other than balances with banks. The rate for balances with banks is disclosed in note 4.1 to these financial statements.

23.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk on investments held by the Fund and classified on the Statement of Assets and Liabilities as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 10% of net assets and issued capital of the investee company and sector exposure limit to 35% of the net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2014, with all other variables held constant, net income of the Fund for the period would increase / decrease by Rs 0.847 million and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index, is expected to change overtime. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

23.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and other receivables. For banks and financial institutions placement is only made with banks having strong credit ratings. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

As at June 30, 2014, the Fund's balances with banks have been placed with banks having rating of A1+ (as per PACRA).

The maximum exposure of credit risk before any credit enhancement as at June 30, 2014 is the carrying amount of the financial assets.

Management, after giving due consideration to their strong financial standing, does not expect non–performance by these counter parties on their obligations to the Fund. The maximum exposure to credit risk before any credit enhancement as at June 30, 2014 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

Collateral

The Fund does not hold any collateral against its balances with banks and these are unsecured.

23.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to the daily cash redemptions at the option of the unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's listed securities are considered readily realisable, as they are listed on the Karachi Stock Exchange Limited.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemption request during the current year.

The table below analyses the Fund's liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows.

	2014			
	Upto three months	More than three months and up-to one year	Over one year	Total
Financial liabilities	(Rupees)			
Payable to Askari Investment Management Limited - Management Company	811,973	-	-	811,973
Payable to the Central Depository Company of Pakistan - Limited - Trustee	57,534	-	-	57,534
Accrued expenses and other liabilities	8,890,361	-	-	8,890,361
	9,759,868	-	-	9,759,868

	2013			
	Upto three months	More than three months and up-to one year	Over one year	Total
Financial liabilities	(Rupees)			
Payable to Askari Investment Management Limited - Management Company	478,309	-	-	478,309
Payable to the Central Depository Company of Pakistan - Limited - Trustee	57,534	-	-	57,534
Accrued expenses and other liabilities	519,666	-	-	519,666
	1,055,509	-	-	1,055,509

24 UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund’s objective when managing the unit holders' fund is to safeguard the Fund’s ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open-end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of scheme and if at any time the size of the open end scheme falls below that minimum size specified by the SECP, the Asset Management Company is required to ensure compliance within three months of the breach. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund’s policy is to perform the following:

- monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to unit holders; and
- redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance.

The Fund Manager / Investment Committee members and the Chief Executive Officer critically track the movement of ‘Assets under Management’. The Board of Directors is updated regarding key performance indicators e.g. yield and movement of NAV and total Fund size at the end of each quarter.

During the current year, the size of the Fund went below the minimum size specified by the SECP. However, the Fund achieved compliance with the minimum size within the time limit specified by the SECP.

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values.

International Financial Reporting Standards 7, 'Financial Instruments: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or inability that are not based on observable market data (unobservable inputs) (level 3).

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
Financial assets classified as 'at fair value through profit or loss'				
- Investment in equity securities	83,956,640	-	-	83,956,640

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
Financial assets classified as 'at fair value through profit or loss'				
- Investment in equity securities	115,026,296	-	-	115,026,296

26 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in the meeting held on July 4, 2014 have approved a final distribution of Rs 2.6810 per unit for the year ended June 30, 2014. The financial statements of the Fund for the period ended June 30, 2014 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2015.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 22, 2014** by the Board of Directors of the Management Company.

28 GENERAL

Figures have been rounded off to the nearest rupees.

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation. No significant reclassifications have been made during the current year.

For Askari Investment Management Limited
(Management Company)

Chief Executive **Director**

Invest with Aim!

Askari Investment Management Ltd.

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